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IN THIS ISSUE:

Kurihara Meets Weinberger, Nixes Domestic FSX 1

Japan's Economy Inching Up 3

Tokyo Reaffirms Its Role In Resolving Debt Crisis 4

Senate Criticizes Japan's Relations With Vietnam 5

Japanese Truck Makers' Bumpy U.S. Road 7

JEI Personnel Changes 8

Kurihara Meets Weinberger, Nixes Domestic FSX

Yuko Kurihara, the head of the Japan Defense Agency, told Secretary of Defense Caspar Weinberger October 2 that Japan has opted for either enhanced F-15s or modified F-16s instead of a domestically designed aircraft for its next-generation fighter support plane -- codenamed the FSX program. While numerous details must still be worked out, the choice has resolved a dispute that has threatened at times to poison the bilateral defense relationship.

The announcement came despite heavy lobbying by Japanese defense contractors which saw the FSX as an opportunity to strengthen and expand their design and manufacturing capabilities in a critical industrial sector. The decision to proceed with a U.S. design should reduce the spillover of trade frictions into the defense realm. Political pressures accelerated dramatically last March when Missouri Republican John Danforth wrote to the White House

the global debt crisis. Maintaining that a workable solution must involve market-oriented strategies, Mr. Sumita underscored the importance of maintaining a steady flow of financial resources to debtor countries. In order to accomplish this, he advocated several measures.

First, the debtor nations should adopt "market-oriented debt and development strategies" that involve the private sector. He mentioned support for policies conducive to financial and capital markets; encouragement of higher savings ratios; restraints on capital flight; and the creation of a climate that is hospitable to private direct investment. As important as these domestic economic policies are, Mr. Sumita urged international institutions, private banks and the developed countries to cooperate to resolve the debt crisis "on a case-by-case basis."

In addition, the BOJ governor urged approval of the Multilateral Investment Guarantee Agency -- a new organization that would guarantee foreign direct investment in member developing countries against noncommercial risks (see JEI Report No. 22B, June 12, 1987). To date, Japan is the only developed country that has ratified the convention that establishes MIGA. The likelihood of U.S. participation is still uncertain, causing some uneasiness abroad that the agency may fall by the wayside. Mr. Sumita applauded the work of the International Finance Corp. in finding ways to transfer private capital to the developing nations and its role in establishing investment funds, and urged it to play a "central role" in facilitating debt-equity swaps.

Japan intends to respond to the debt crisis in several ways. The centerpiece of its strategy is a $30 billion plan -- $10 billion in subscriptions to multilateral institutions and a $20 billion fund designed to recycle a portion of Japan's current account surplus to the developing nations (see JEI Report No. 21B, June 5, 1987). Mr. Sumita said that Tokyo is prepared to make other contributions as well. He endorsed an expansion of the financial base of the IMF through a quota increase and said that Tokyo would contribute in a manner "commensurate with its economic abilities." Furthermore, he cited Tokyo's pledge to disburse roughly $500 million in grants to low-income developing countries, especially in the sub-Saharan region.

In a related development, Foreign Minister Tadashi Kuranari took Tokyo's policy to Central America. During a late September visit he pledged increased Japanese aid to help stabilize the region, which is slated to receive approximately 20 percent of the $20 billion in recycled funds. Mr. Kuranari also unveiled a diplomatic plan to complement the Central American peace plan signed by Nicaragua, Guatemala, Honduras, El Salvador and Costa Rica in August. The plan focuses on Japanese economic assistance and support for present efforts to bring democracy to the region.

Eileen M. Doherty

Senate Criticizes Japan's Relations With Vietnam

On September 29 the Senate adopted an amendment to S 1174 (the Defense Department authorization bill) urging Japan to reduce its economic ties with Vietnam. Sen. Robert Kasten's (R, Wis.) resolution establishes a Senate finding that Japan's trade with Vietnam has expanded steadily since 1982 and the

Japanese government has failed to discourage private investment in that country. These findings are especially reprehensible, according to Sen. Kasten, in light of Tokyo's 1979 agreement to participate with Western nations in a trade and aid embargo against Vietnam (to protest the occupation of Cambodia). The amendment calls on Japan to discourage trade that would promote Vietnam's economic development. Specifically, it urges Japan to discontinue sales of equipment that enhance (1) oil and exploration projects, (2) forestry and fishery production, (3) production of commodities for light industries and (4) export capacity.

Kyodo news service quoted Ministry of Foreign Affairs spokesman Yoshifumi Matsuda as saying that the resolution is "regrettable" since, in yen terms, Japan's trade with Vietnam actually decreased in 1986. As the table below indicates, two-way trade did expand during the 1983-85 period, but the 1986 figure fell 9.6 percent from the year earlier. But since the Senate cites trade figures in dollar terms, its results are quite different. In 1986, for example, Japan's trade with Vietnam expanded by 27.2 percent in dollar terms as the yen appreciated by 26 percent over the course of the year.

Japan's Trade With Vietnam, 1981-86

(in billions of yen)

	1981	1982	1983	1984	1985	1986
Exports	Y24.0	Y23.2	Y28.2	Y28.1	Y35.3	Y31.8
Imports	8.2	8.9	8.9	12.1	15.6	14.2
Trade Balance	15.8	14.3	19.3	16.0	19.7	17.6
Total Trade	32.2	32.1	37.1	40.2	50.9	46.0
Percentage Change	--	0.3%	15.6%	8.4%	26.6%	-9.6%

Source: Japan Tariff Association, The Summary Report: Trade of Japan

The amendment was sparked partly by an announcement that Honda Motor Co., Ltd. planned to sell knock-down motorcycle kits to Vietnam. Legislators feared that the Vietnamese would be able to use such kits to build military vehicles. Largely in response to these congressional complaints, Honda quickly reversed its decision. A Honda official quoted in Automotive News said that "while our review of our business relationships in Vietnam, Cambodia and Laos shows that we have acted well within the policies of the Japanese government, we feel that due to our position as a major automobile manufacturer in the United States, we should honor the policy considerations of the U.S. government." Sen. Kasten acknowledged the move but stressed that the problem involves more than the activities of one company. He suggested that Tokyo should tighten policies covering all Japanese trade with Vietnam.

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